

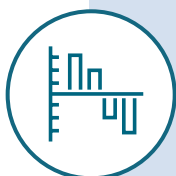


# A&M Bolsters its Tax Transformation and Supply Chain Services With The Hiring of **Dick McAlonan**, Former Senior U.S. Treasury Official



## Economic Drivers

- As a result of geopolitical tensions, trade wars and the global pandemic, the current economic environment is fraught with challenges for multinational businesses.
- This disruption has accelerated pressure from boardrooms and C-suite executives at larger corporates to restructure and diversify global supply chains to be nimbler in the face of adversity.



## Tax Challenges

- Tax authorities typically welcome new or expanding foreign business investments and often offer attractive financial incentives to do so.
- Flip the script, however, and tax authorities may aggressively use their examination powers to protect the revenue base under circumstances where companies move to reduce their presence. This is especially true in times of economic uncertainty.
- Companies leaving or reducing their footprint in certain countries may need to negotiate the financial impact of their exit or change an existing tax ruling with the tax authority.



## Potential Solution – the Advance Pricing Agreement (“APA”)

- An APA allows a company to obtain “buy-in” from one or more tax authorities with respect to its intercompany dealings.
- Most APAs today are undertaken by large corporate groups.
- As APAs bind agreements between the company and tax authorities, they can provide certainty to a company that its new global operational structure will be respected for tax purposes and greater stability in its financial forecasting.
- The benefit of locking in the tax benefits that result from a supply chain restructure can provide a material benefit to a company, which potentially includes lessening tax reserves associated with the operational change and time spent on future audits.



## A&M Experience & Teaming

- These negotiations can be complex, difficult and time consuming for a tax director, and requires specialized advice from experienced transfer pricing advisors.
- A&M has hired transfer pricing specialist Dick McAlonan as a senior resource in the international tax practice. Having previously served as the first Director of the IRS’ consolidated Advance Pricing and Mutual Agreement Program (APMA), Dick brings high caliber credentials to the A&M global tax team.
- As APMA Director, Dick led a 100+ person team of IRS economists, lawyers and accountants who were responsible for processing requests for Advance Pricing Agreements (APAs) and competent authority assistance.
- Dick worked with his team to negotiate hundreds of APAs and competent authority agreements with tax authorities throughout several countries including Japan, Canada, the UK and Korea.
- Paired with Managing Directors Al Liguori, leader of A&M’s international tax practice, and Marc Alms, leader of the transfer pricing practice, the A&M Tax team is fully positioned to bring innovative solutions to manage global tax risks associated with any supply chain restructuring.



## Case Example

Company A is a U.S. headquartered business with legacy procurement and manufacturing operations in China and distribution operations in the U.S. and Europe. It currently has a bilateral APA between the U.S. and China. For business reasons, Company A intends to move 50 percent of its Chinese manufacturing operations to Vietnam and create a global procurement hub in Switzerland. On the investment side, there are business, pricing and tax incentives that need to be negotiated in both Vietnam and Switzerland, as well as negotiation with the Chinese tax authorities regarding the reduction in Chinese operations and changes to the terms underlying its current APA. Furthermore, it may be desirable to obtain a new APA between the U.S. and Switzerland to ensure certainty on the financial arrangements that the company seeks to benefit from through the establishment of the new procurement hub.



## How Can A&M Help?

Alvarez & Marsal's history as the preeminent advisor to tax matters gives us deep expertise and practical experience on this and many other issues not addressed in this overview. Please contact our A&M Taxand team today.

## Key Contacts

**Dick McAlonan**

Senior Advisor  
Washington, D.C.

+1 703 626 6569  
[dmcalonan@alvarezandmarsal.com](mailto:dmcalonan@alvarezandmarsal.com)

**Marc Alms**

Managing Director  
New York

+1 212 763 1887  
[malms@alvarezandmarsal.com](mailto:malms@alvarezandmarsal.com)

**Al Liguori**

Managing Director  
New York

+1 212 763 1638  
[aliguori@alvarezandmarsal.com](mailto:aliguori@alvarezandmarsal.com)

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